

Message Text

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PAGE 01 KUWAIT 00498 251345Z
ACTION SS-15

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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 0021

LIMITED OFFICIAL USE KUWAIT 0498

FOR THE SECRETARY FROM AMBASSADOR

E.O. 11652: N/A
TAGS: XX, PEXP
SUBJ: ASSISTANCE TO U.S. BUSINESS ABROAD

REF: STATE 014670

1. I WOULD APPRECIATE YOUR TRANSMITTING THE FOLLOWING
LETTER TO THE PRESIDENT IN RESPONSE TO HIS LETTER TO
ME CONTAINED IN REFTEL:

2. BEGIN QUOTE:

DEAR MR. PRESIDENT,

I WAS MOST PLEASED TO RECEIVE YOUR LETTER (TRANSMITTED
BY DEPARTMENT OF STATE CABLE 014670 OF JANUARY 19, 1978)
AND I WELCOME CONFIRMATION OF YOUR PERSONAL SUPPORT
FOR OUR EFFORTS TO PROMOTE THE EXPORT OF AMERICAN GOODS
AND SERVICES. I WISH TO ASSURE YOU THAT THE TRADE EXPANSION
AND OTHER COMMERCIAL PROGRAMS ARE ACCORDED AN EXTREMELY
HIGH PRIORITY AT THE EMBASSY IN KUWAIT.

IN THE NEARLY TWO YEARS I HAVE BEEN HERE IN KUWAIT,
AMERICAN EXPORTS HAVE INCREASED BY OVER 70 PERCENT. TOTAL
EXPORTS REACHED 471 MILLION DOLLARS IN 1976 AND ARE
EXPECTED TO TOP 625 MILLION DOLLARS IN 1977, MAKING KUWAIT
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PROBABLY THE BEST CUSTOMER OF THE UNITED STATES IN THE
ARAB WORLD AFTER SAUDI ARABIA FOR COMMERCIAL EXPORTS,
WHILE IT IS DIFFICULT TO PROVIDE PRECISE FIGURES FOR THE
PROVISION OF CONSTRUCTION, TECHNICAL AND CONSULTING
SERVICES TO KUWAIT, U.S. FIRMS HAVE MADE CONSIDERABLE
STRIDES IN OBTAINING LUCRATIVE CONTRACTS HERE. AS AN
EXAMPLE, TWO AMERICAN CONSTRUCTION FIRMS RECENTLY WON

CONTRACTS EXCEEDING 132 MILLION DOLLARS FOR THE UPGRADING OF THE HIGHWAY SYSTEM IN KUWAIT.

MY EXCELLENT STAFF AND I SHALL BEND EVERY EFFORT TO HEED YOUR EXHORTATION TO DO EVEN BETTER, BUT I MUST ALERT YOU TO CERTAIN FACTORS WHICH MILITATE AGAINST CONTINUING THE PRESENT FAVORABLE TREND IN THE LEVEL OF U.S. EXPORTS TO KUWAIT, AND, POSSIBLY TO OTHER STATES IN THE PERSIAN GULF AREA AS WELL. ONE RELATES NATURALLY TO THE EFFECT OF ANTI-BOYCOTT PROVISIONS IN RECENT EXPORT ADMINISTRATION AND TAX LEGISLATION WHICH HAVE CAUSED SOME AMERICAN FIRMS TO ABANDON EFFORTS TO BID FOR MAJOR MULTI-MILLION DOLLAR PROJECTS IN KUWAIT.

ANOTHER FACTOR IS THE IMPACT OF THE TAX REFORM ACT OF 1976 ON OVERSEAS AMERICANS IN THIS AREA, WHO, WHETHER EMPLOYED BY AMERICAN OR LOCAL FIRMS, PROVIDE MUCH SOUGHT-AFTER HIGH QUALITY TECHNICAL EXPERTISE, BUT ALSO HELP GREATLY TO PROMOTE THE PURCHASE OF U.S. GOODS AND SERVICES. THE INEQUITABLE TAX BURDEN--WHICH CAN AMOUNT TO 70 TO 100 PERCENT OF THEIR SALARIES--IS FORCING THEIR DEPARTURE AND REPLACEMENT BY FOREIGN EXECUTIVE AND TECHNICAL PERSONNEL WHO TEND TO PROMOTE THE PRODUCTS OF THEIR OWN COUNTRIES. THIS ALSO APPLIES TO AMERICAN PROFESSORS WHOSE INFLUENCE ON FUTURE LEADERS IN THE AREA WILL BE LOST. I AND MY AMBASSADORIAL COLLEAGUES IN THE NEIGHBORING ARAB STATES HAVE REPORTED FREQUENTLY ON THIS SITUATION.

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YOU MAY BE ASSURED THAT MY STAFF AND I WILL INCREASE OUR EFFORTS TO ASSIST AMERICAN BUSINESS TO EXPAND U.S. TRADE, BUT OUR TASK WILL BE MADE EASIER IF THE ADMINISTRATION CAN PERSUADE CONGRESS TO APPROVE APPROPRIATE AMENDMENTS TO THE TAX REFORM ACT TO CORRECT THIS SITUATION.

RESPECTFULLY,
FRANK E. MAESTRONE

END QUOTE
MAESTRONE

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